

# THE INFLUENCE OF VILLAGE FUNDS ON COMMUNITY WELFARE IN ACHIEVING SUSTAINABLE DEVELOPMENT GOALS IN THE DISTRICTS OF BENGKULU PROVINCE

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## ABSTRACT

This study aims to analyze the effect of village funds and gross regional domestic product on the human development index through poverty mediation in Bengkulu Province in 2016-2022. The data used is secondary data. This research uses path analysis method. The results of this study indicate that village funds have a negative effect on poverty in achieving the first sustainable development goal, namely poverty alleviation. Village funds have a significant effect on the human development index, which means in achieving the tenth sustainable development goal of reducing inequality in Bengkulu Province in 2016-2022. . Poverty cannot mediate the effect of village funds on the Human Development Index, while poverty can mediate gross regional domestic product on the human development index. Poverty in this study only mediates the effect of village funds and gross regional domestic product on the human development index in Bengkulu Province in 2016-2022.

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## 1. INTRODUCTION

National development strategies were initially implemented by almost all countries in the world to initiate economic activity. Development is a process that involves various aspects and objectives to achieve significant progress and change in an area. This process can take place at the national, regional, or local level, and involves various sectors such as economic, social, and environmental. According to Kuncoro (2010), the goal of development is not only to increase economic growth and increase per capita income but must pay attention to the process of equity and distribution of certain added value in economic activities in a region. Smith and Todaro, (2011) explain that development requires a high increase in income and sustainable growth. In this context, development must integrate the various dimensions of development covered in the SDGs to achieve more balanced, inclusive, and sustainable development. This reflects the understanding that successful development includes not only economic growth, but also improvements in quality of life, social justice, and environmental conservation, in line with the broad goals of the SDGs.

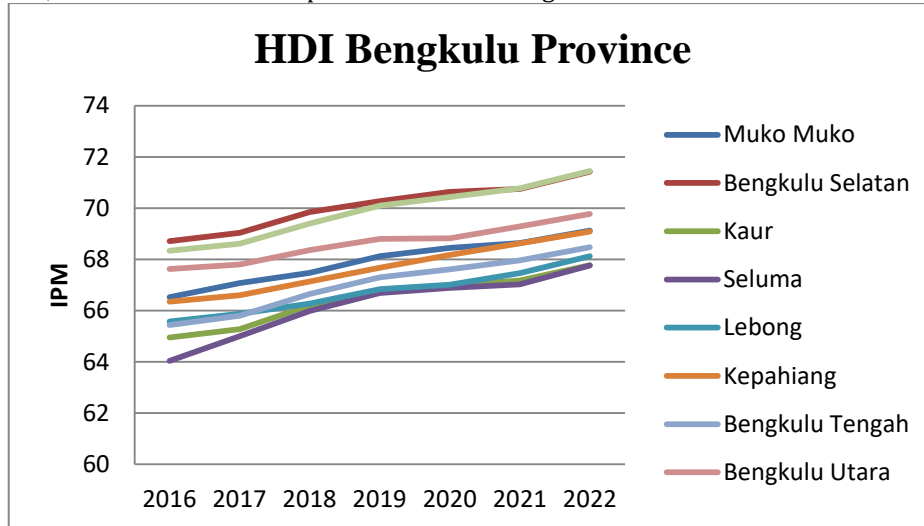
According to National Development Planning Agency, Sustainable Development Goals (SDGs) are a development concept that not only emphasizes the sustainable improvement of economic welfare, but also focuses on the social sustainability of society and the maintenance of environmental quality. In addition, the SDGs are committed to ensuring equity and the implementation of effective governance so as to ensure the improvement of the quality of life of current and future generations. Given the importance of the SDGs, many countries have started to integrate them into their national policies. In this context, it is crucial for every level of government, from central to village, to understand and apply the basic principles of sustainable development in its policies and programs.

Despite significant economic growth, Indonesia's Human Development Index (HDI) still shows stark differences between regions. While major cities have seen rapid progress, many rural areas are left behind, struggling with access to health, education and other resources. The goal of economic development is to improve public welfare. Specifically, the main target of economic development is the improvement of the quality of life of the community. This goal can be achieved by reducing the number of people living below the poverty line (Pramuja et al., 2023).

The discrepancy in Human Development Index (HDI) figures among regions highlights the inequality in the advancement of the quality of life in each area. This inequality can be attributed to

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variations in the quality of human resources and the accessibility of critical infrastructure, particularly in education and healthcare, which play pivotal roles in determining HDI. This disparity is a consequence of non-uniform development, leading to elevated poverty rates in Indonesia. To address this imbalance and enhance the quality of human development in underdeveloped regions, the government has adopted a strategic approach, which includes the implementation of village funds.



**Graph 1.** Human Development Index in the Regency of Bengkulu Province  
 Source : Central Bureau of Statistics

The Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (Kemendes PDTT) of the Government of Indonesia initiated the Village Fund program in 2015. The program is designed to allocate funds directly to villages in Indonesia, supporting local development initiatives. This is a concrete response to promoting the welfare of villagers as reflected through positive developments in the IDM (Village Development Index). The village fund has several objectives, including: improving community services at the village level, reducing poverty, accelerating village economic growth, reducing development disparities between villages, and strengthening the position of village communities as the main actors in the development process. The village fund is expected to facilitate villages across the archipelago to formulate and implement development initiatives that suit their local needs and priorities. The Human Development Index (HDI), which measures three key dimensions of human well-being - health, education, and living standards - is an effective tool to measure the impact of various development interventions, including the utilization of village funds.

Village funds are expected to improve the level of public health and education through the improvement of infrastructure and facilities at the village level, thereby supporting the improvement of the HDI. On the other hand, the Village Fund is also expected to increase economic growth so as to reduce unemployment, reduce poverty, and ultimately reduce inequality (Wibowo et al., 2019). Meanwhile (Ashari 2018) proves the role of village fund allocations in the development of physical infrastructure in Kelinjau Ilir Village is still small. This suggests, that when the village fund allocation is allocated correctly, it will increase economic growth, improve the human development index, and reduce poverty.

The effectiveness of a policy, as reflected in its programs and activities, fundamentally relies on the extent to which the policy can achieve its intended outcomes. Considering the background provided, the research question addressed in this study is "The Impact of Village Funds on Community Well-being in the Pursuit of Sustainable Development Goals in Bengkulu Province District." More specifically, the objective of this research is to examine how village funds influence community welfare by mitigating poverty, thereby contributing to the realization of SDGs Goal 1 (eradicating poverty) and SDGs Goal 10 (reducing inequality).

## Literature Review

### Village Fund

The Village Fund is part of the State Budget (APBN) designated specifically for villages. These funds are transferred through the Regional Budget (APBD) at the Regency/city level with the main purpose of supporting development initiatives and empowering village communities (MoF, 2017). The specific objectives of village funds include improving the quality of public services at the village level, eradicating

poverty, stimulating village economic growth, balancing development imbalances among villages, and strengthening the role of village communities as key actors in the development process.

### Gross Regional Domestic Product

The Gross Regional Domestic Product (GRDP), as per the Indonesian Central Bureau of Statistics, is a key indicator used to assess the economic situation in a specific area during a given time frame, whether at present prices or constant prices. In essence, the GRDP quantifies the overall additional value created by all enterprises in a specific region, or it can also be described as the complete value of finished products and services manufactured by all economic entities in that area

### Poverty

According to the Central Bureau of Statistics, poverty is defined as an individual's inability to meet basic needs, including food and other necessities. Individuals categorized as poor are those who have incomes below the established poverty threshold. A number of reasons, such as limited resources to fulfill basic needs, as well as barriers to education and employment, can trigger poverty. There are two types of poverty: absolute and relative. Absolute poverty refers to a situation where a person is unable to fulfill their basic needs, such as food, clothing and shelter. Relative poverty, on the other hand, is related to a feeling of inequality amidst development, where a group of people feel relatively poorer compared to other groups in society.

### Human Development Index

The view of development has shifted. Whereas in the past the focus was on economic and income growth, now the orientation is more towards human development. The Human Development Index (HDI), is a measurement tool that compares aspects such as life expectancy, education, and decent standard of living among countries around the world. The Human Development Index (HDI) is a tool to categorize countries into developed, developing, or underdeveloped based on human development achievements. According to Indonesia's Central Bureau of Statistics, the HDI is designed to reflect people's quality of life based on basic components. The HDI assesses three key aspects of human development, which include health, knowledge, and a decent life.

## 2. METHOD

The design of this research is quantitative, focusing on 9 regencies in Bengkulu Province, namely : Bengkulu Utara, Muko Muko, Seluma, Kaur, Bengkulu Selatan, Rejang Lebong, Kepahiang, and Lebong. During the period 2016-2022. This research involves three types of variables: independent, dependent, and mediating. The independent variables studied are village funds and gross regional domestic product, where village funds are measured in real value to obtain an accurate representation of the purchasing power and economic value of the funds. Meanwhile, the human development index serves as the dependent variable. Poverty acts as a mediating variable in this study. The data used in this study is quantitative with panel data type. The data source comes from the websites of the Central Bureau of Statistics and the Directorate General of Fiscal Balance. In this study, the data analysis method chosen was path analysis using the E views application.

According to Ghozali (2018), path analysis can be referred to as the development of multiple linear regression. Essentially, path analysis utilizes regression techniques to estimate the cause-and-effect relationship between variables in accordance with the causal model that has been formulated based on previous theory. Path analysis can be considered a continuation of multiple regression analysis. However, when viewed from its historical background, there are fundamental differences. Path analysis is independent in statistical procedures when defining cause-and-effect relationships. Meanwhile, linear regression is specifically a statistical technique designed to analyze the causal relationship between the variables under study (Basuki, 2021).

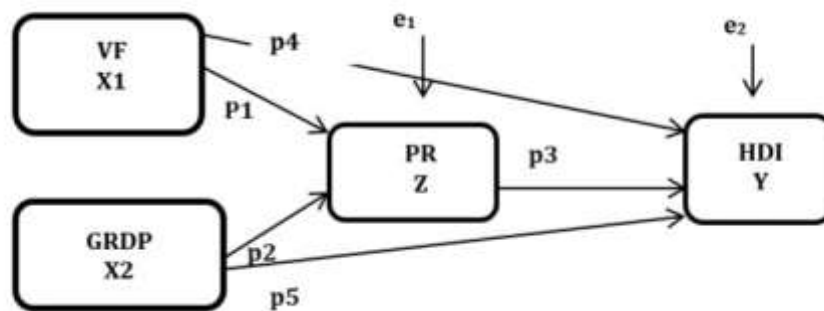
The regression equation is as follows:

$$Z = c + \beta_1 X_1 + \beta_2 X_2 + e_1 \dots\dots\dots(1)$$

$$Y = c + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + e_2 \dots\dots\dots(2)$$

- Z = Poverty rate
- Y = Human Development Index
- C = Constant
- X1 = Village Funds
- $\beta_{1,2}$  = Regression Coefficient
- X2 = Gross Domestic Regional Product
- e1 = Error sub structure 1

e2 = Error sub structure 2



**Figure 1** Path Diagram of Research Variables

**Hypotheses Development**

**Village Fund and Poverty Rate**

One of the objectives of the financial management of the Village Fund in the Minister of Home Affairs Regulation No. 37/2007 is to reduce poverty. Village funds used to support micro, small, and medium enterprises, create jobs or other productive projects can increase the average income of villagers, reduce poverty levels, and improve their standard of living.

H<sub>1</sub>: Village Funds have an negative effect on poverty reduction.

**Gross Regional Domestic Product and Poverty rate**

In general, high economic growth can reduce poverty by increasing people's income and creating jobs. Economic growth is closely and directly proportional to people's income per capita, and if the poverty rate is high, people's income will automatically decrease and that causes the rate of economic growth to decrease. Also, a country is said to experience economic development if economic growth through increased per capita income and can reduce poverty levels.

H<sub>2</sub>: Gross Regional Domestic Product has a significant negative effect on poverty

**Village Fund and Human Development Index (HDI)**

The Village Fund has the potential to improve the quality of education and health of village communities by providing funds to improve infrastructure and facilities at the local level. These positive impacts, in turn, will contribute to improvements in the Human Development Index (HDI). In addition, village funds are also intended to stimulate economic growth at the village level. With sustained economic growth, it is expected that there will be a reduction in unemployment, a reduction in poverty, and an improvement in economic distribution, thereby reducing existing inequalities.

H<sub>3</sub> : Village Fund affect Human Development Index

**Gross Regional Domestic Product and Human Development Index**

High economic growth leads to increased productivity in the economy, which in turn leads to increased income. An increase in per capita income reflects an increase in the economic welfare of the community. An increase in Gross Regional Domestic Product (GRDP) is one indicator of economic growth in a region. To maximize economic growth, it is important to pay attention to aspects of human development, especially in the context of regional economies. This is because good- quality human resources are believed to improve overall economic performance.

H<sub>4</sub>: Gross Regional Domestic Product has a significant negative effect on the Human Development Index

**Village Fund and Human Development Index through poverty as a mediating variable**

Amartya Sen's theory of human development emphasizes the importance of individual capabilities in measuring the level of development. The theory says that true development should include improvements in three key dimensions: income, health, and education. Village funds can be used to improve villagers' access to health and education services, as well as create jobs, which in turn can help reduce poverty and improve HDI.

H<sub>5</sub> : Poverty variable can mediate the effect of Village Funds on the Human Development Index

**Gross Regional Domestic Product and Human Development Index through poverty as a mediating variable**

A high GRDP can have a positive influence on the Human Development Index (HDI) through poverty reduction. Better economic growth, as reflected in high GRDP, tends to create new jobs and

increase people's income. This increase in income can help reduce poverty levels in a region, as people have better access to decent work. Poverty reduction further has a positive impact on HDI, as people's per capita income increases, which is one of the components of HDI. In addition, poverty reduction can also contribute to improving people's access to education and health services, as people who are more economically well-off tend to have greater resources to access quality education and health services.

H<sub>6</sub>: Poverty variable can mediate the effect of Gross Regional Domestic Product on the Human Development Index.

### 3. RESULT AND DISCUSSION

#### Regression analysis stage 1 (Sub-structure equation 1)

In the first stage of regression analysis, the research focuses on the impact of the Village Fund (X1) and Gross Regional Domestic Product (X2) on Poverty (Z). When conducting regression analysis with panel data, there are several crucial stages to ensure the validity of the research results. This includes selecting the most appropriate model, whether it is a Common Effect Model, Fixed Effect Model, and Random Effect Model. To determine the most appropriate model, several statistical tests are conducted, namely the Chow test, Hausman test, and Lagrange Multiplier test.

**Table 1.** Model Selection Test Sub Structure 1

Test	Prob	Sig	Model Selection
Chow Test	0.000	< 0.05	FEM
Hausman Test	1.000	> 0.05	REM
Lagrange Multiple Test	0.000	< 0.05	REM

From the results of the three sub-structure model selection tests, the best model selection is obtained, namely the Random Effect Model (REM) with the equation regression equation is :

$$Z = c + \beta_1 X_1 + \beta_2 X_2$$

Z = Poverty rate

C = Constant

X1 = Village Funds

$\beta_{1,2}$  = Regression Coefficient

X2 = Gross Domestic Regional Product

The regression results of sub structure 1 can be seen in the table below.

**Table 2.** Regression Result Sub Structure 1

Dependent Variable : T.K				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	23.00673	1.966441	11.69968	0.0000
VF	-2.00E-09	5.18E-09	-0.386327	0.7006
GRDP	-2.34E-06	4.48E-07	-5.211338	0.0000
R-squared	0.420786			
Adjusted R-squared	0.401478			
F-statistic	21.79429			
Prob(F-statistic)	0.000000			

Based on the table above, the multiple regression equation is obtained as follows:

$$T.K = 23.006731 - 2.001 DD Riil - 2.34 PDRB.$$

The regression equation has the following meaning:

Village Fund (X1) = -2.00, meaning that if the village fund increases, the poverty rate decreases by 2%, with a probability value > 0.05 and a negative coefficient, H<sub>1</sub> is accepted and H<sub>0</sub> is rejected Village funds can affect poverty but not significantly. Gross Regional Domestic Product (X2) = -2.34, meaning that if the gross regional domestic product variable increases, the poverty rate decreases by 2.34%, with a probability value < 0.05 and a negative coefficient, H<sub>2</sub> is accepted and H<sub>0</sub> is rejected Gross Regional Domestic Product can significantly affect poverty. Based on the table above, it can be seen that the F test value obtained prob (0.000) < 0.05, so it can be concluded that the variable Village Funds and Gross Regional Domestic Product have an affect on the poverty rate simultaneously.

The R-Square value is 0.401478, meaning that together the variables of village funds, and gross regional domestic product affect the poverty rate by 40.1478%, while the remaining 59.8522% is explained by other variables.

### Regression analysis stage 2 (Sub-structure equation 2)

The second stage of regression analysis examines the effect of Village Fund (X1) Gross Regional Domestic Product (X2), and Poverty (Z), on the Human Development Index (Y).

**Table 3.** Model Selection Test Sub Structure 2

Test	Prob	Sig	Model Selection
Chow Test	0.000	< 0.05	FEM
Hausman Test	1.000	> 0.05	REM
Lagrange Multiple Test	0.000	< 0.05	REM

From the results of the three sub-structure model selection tests, the best model selection is obtained, namely the Random Effect Model (REM).

$$Y = c + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z$$

- Y = Human Development Index
- C = Constant
- X1 = Village Funds
- $\beta_{1,2}$  = Regression Coefficient
- X2 = Gross Domestic Regional Product
- Z = Poverty rate

The regression results of sub structure 2 can be seen in the table below.

**Table 4.** Regression Results Sub Structure 2

Dependent Variable : IPM				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DD riil	1.04E-09	2.80E-09	3.720681	0.0004
PDRB	1.69E-06	2.08E-07	8.139286	0.0000
T.K	-0.171748	0.054347	-3.160210	0.0025
C	63.78345	1.353376	49.92894	0.0000
R-squared				0.706253
Adjusted R-squared				0.691317
F-statistic				47.28442
Prob(F-statistic)				0.000000

Based on the table above, the multiple regression equation is obtained as follows:

$$IPM = 3.7834477113 + 1.0423 \text{ DD Riil} + 1.69 \text{ PDRB} - 0.1717 \text{ T.K.}$$

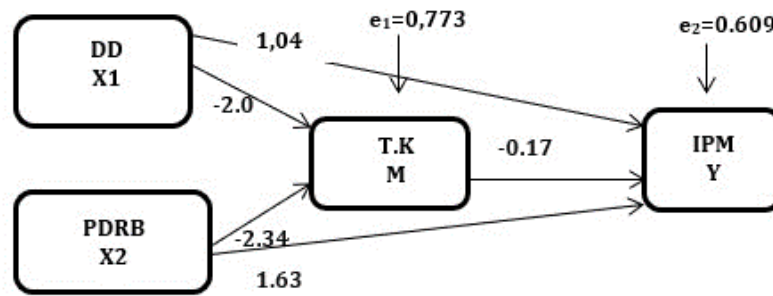
The regression equation has the following meaning:

Village Fund (X1) = 1.04, meaning that if the village fund increases, the HDI level increases by 1.04%, with a probability value <0.05 and a negative coefficient,  $H_3$  can be accepted and  $H_0$  is rejected, village funds can significantly affect the human development index. Poverty level (Z) = -0.17, meaning that if the poverty level increases by one percent, the HDI level decreases by 0.17%. GRDP (X2) = 1.69, meaning that if the Gross Regional Domestic Product variable experiences growth, the level of Human Development Index increases by 1.69%, with a probability value <0.05 and a negative coefficient,  $H_4$  can be accepted and  $H_0$  is rejected gross regional domestic product can significantly affect the human development index.

Based on the table above, it is known that the F test value with a probability of (0.000) < 0.05. This shows that the variables of village funds, gross regional domestic product, and poverty together affect the human development index (HDI) simultaneously. With an R-Square value of 0.691317, this shows that the variables of village funds, gross regional domestic product, and poverty contribute 69.1317% to changes in HDI. Meanwhile, 30.8683% of the change in HDI is explained by other variables.

### Formation of Path Analysis

From the regression analysis of the first and second equation sub-structures, the following path analysis is obtained



**Figure 2.** Formation of Path Analysis

From the figure above, the information on the magnitude of the influence of village funds and gross regional domestic product on the human development index through poverty can be seen in the table below.

**Table 5.** Magnitude of direct and indirect effects

Variable	Village Fund		Gross Regional Domestic Product	
Direct Effects	1,04	+ 1,04 = 1,08%	1.63	+ 1.63 = 2.65%
Indirect Effects	-2.00	+ -0.17 = -2.17%	-2.34	+ -0.17 = -2.51%

**The effect of total DD (X1) on Poverty (M) = 1.08 + 2.17 = 3.25%**

**The effect of total GRDP (X2) on Poverty (Z) = 2.65 + 2.51 = 5.16 %**

From the table above, the direct effect of village funds on HDI is 1.08%. Meanwhile, the indirect effect of village funds on HDI through poverty mediation is 2.17%. This means that village funds have a positive influence on increasing HDI by reducing the poverty rate by 2%, which in turn increases the HDI level by 17%. The direct effect of GRDP on HDI is 2.65%. Meanwhile, the indirect effect of poverty mediation is 2.51%. This means that GRDP has a positive influence on increasing HDI through reducing the poverty rate by 2.34%, which in turn increases the HDI level by 17%.

#### Partial Test (t statistic)

##### Poverty Variable t Test (M)

In the first sub-structure regression model, the t-test is used to assess the extent to which the independent variables have a statistically significant partial impact on the dependent variable, which in this case is poverty (Z). The results of the data analysis show the following results:

**Table 6.** T-test on poverty (Z)

Variable	T Count	Sign	T table	Sig
X1 on Z	-0.38	<	1.67	0.7006
X2 on Z	5.21	>	1.67	0.0000

With a confidence level = 95% or ( $\alpha$ ) = 0.05. The degree of freedom (df) = n-k = 63-3 = 60, obtained from the t table value = 1.67. From the test results, it can be seen that the village fund variable (X1) does not have a significant impact on poverty with a t-statistic of -0.38 and a significance of 0.700 > 0.05. This means that village funds do not have a significant influence on poverty. On the other hand, gross regional domestic product (X2) shows a significant effect on poverty (Z) with a t-statistic of 5.21 and a significance of 0.000 which is smaller than 0.05.

##### Human Development Index Variable (Y) t-test

In the second regression model, a t-test is performed to assess whether each independent variable, when considered individually (partially), has a statistically significant impact on the dependent variable, which in this instance is the Human Development Index (Y). The following results were obtained based on the data analysis:

**Table 7.** T-test on Human Development Index (Y)

Variable	T Count	Sign	T table	Sig
X1 on Y	3.72	>	1.67	0.00
X2 on Y	3,16	>	1.67	0.00
Z on Y	8.13	>	1.67	0.00

With a significance level ( $\alpha$ ) of 0.05 and degrees of freedom (df) = 63-3 = 60, and based on two-sided testing, the t-table value obtained is 1.671. From the test results, it is known that the village fund variable (X1) has a significant influence on the human development index (Y) with a t-statistic of 3.72 and a significance of 0.00 < 0.05. This indicates that village funds have a significant impact on the human development index. Meanwhile, the gross regional domestic product variable (X2) also shows a significant influence on the human development index (Y) with a t-statistic of 3.16 and a significance of 0.00 < 0.05. This indicates that GRDP has a significant impact on the human development index.

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significant influence on the human development index (Y) with a t-statistic of 3.16 and a significance of  $0.000 < 0.05$ . Then, the poverty variable (Z) also has a significant influence on the human development index (Y) with a t-statistic of 8.13 and a significance of  $0.00 < 0.05$ .

#### Sobel Test

The Sobel test is conducted by testing the strength of the indirect effect of the independent variables (X1, X2) on the dependent variable (Y) through the mediating variable (Z). Here's how the calculation:

$$x = \frac{ab}{\sqrt{(b^2 SEa^2) + (a^2 SEb^2)}}$$

$\alpha$  = Independent path on intervening variable

b = Intervening variable path on the dependent variable

$SE\alpha^2$  = Standard error of coefficient a

$SEb^2$  = Standard error of coefficient b

#### The effect of Village Fund through poverty on the Human Development Index

1. Calculating with Sobel test

$$\frac{-2,0x - 0,17}{\sqrt{(-0,17^2 5,18^2) + (-2,0^2 0,05^2)}} = \frac{2,17}{\sqrt{0,775 + -4,1}} = 1,95$$

2. Calculating the t-value of the mediation effect statistics

$$t = \frac{-2,00x - 0,17}{1,95} = 1,11$$

Based on the results of the calculation, the t value of  $1.11 < t$  table is 1.67 with a significance level of 0.05. Therefore, it can be deduced that poverty does not act as a mediating factor for the influence of village funds on the Human Development Index. Consequently,  $H_5$  is rejected, and  $H_0$  is accepted, indicating that village funds do not have an effect on the Human Development Index through the channel of poverty.

#### The effect of Gross Regional Domestic product through poverty on the Human Development Index

1. Calculating with Sobel test

$$\frac{-2,34x 1,63}{\sqrt{(1,63^2 4,48^2) + (-2,34^2 0,05^2)}} = \frac{3,81}{\sqrt{54,85 + -4,67}} = 0,53$$

2. Calculating the t-value of the mediation effect statistics

$$t = \frac{-2,34x 1,63}{0,53} = 1,95$$

Based on the calculated results, the t-value is 1.95, which is greater than the critical t-value from the table, which is 1.67 at a significance level of 0.05. Therefore, it can be concluded that poverty can indeed mediate the impact of Gross Regional Domestic Product on the Human Development Index. This implies that  $H_0$  is rejected, and  $H_6$  is accepted, indicating that Gross Regional Domestic Product does affect the Human Development Index through its influence on the poverty level.

#### 4. CONCLUSION

Based on the results of the research that has been conducted, it is found that partially in the first equation sub-structure regression, village funds have a negative (insignificant) effect on poverty, indicating that an increase in the amount of village funds does not have a significant effect on reducing poverty levels in Bengkulu Province. This is of particular concern given that the first main objective of sustainable development is the elimination of poverty. In the second sub-structure regression equation,

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village funds, gross regional domestic product and poverty have a significant effect on the human development index in the regencies of Bengkulu province. This suggests that an increase in the amount of village funds has an effect on increasing the level of human development index in achieving the tenth sustainable development goal of reducing inequality. In the context of the regencies of Bengkulu province, poverty does not act as a mediator in the influence of village funds and GRDP on HDI. This is reinforced by the Sobel test, which shows a t-statistic value for the mediating effect of 1.1, which is lower than the t table (1.67) at the 0.05 significance level. The magnitude of the indirect effect of village funds on HDI through poverty is -2.17 %. Suggestions for future research in order to deepen this issue, it is suggested that future research can expand its coverage to include all regions of Indonesia. In addition, to support efforts to achieve the Sustainable Development Goals (SDGs), it would be beneficial if the research also includes additional variables relevant to all the goals of the SDGs, so that the results can provide a comprehensive view of how

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